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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 004833

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SUBJECT: SAUDI KING ABDULLAH'S VISIT TO TURKEY INCREASES
TRADE AND BILATERAL TIES

Classified by Political Counselor Janice G. Weiner; reasons
1.4 (b) and (d).

¶1. (C) Summary: Saudi King Abdullah visited Ankara and Istanbul from August 8-11 in the first visit of a Saudi King since 1966. Turkish MFA Middle East desk officer Barbaros Dicle characterized the visit August 18 as a "turning point" in bilateral relations. The two countries signed six agreements covering investment, health, political consultations, double taxation, state archives and carrying passengers and goods on highways. Though planned before the Middle East crisis erupted, the trip also allowed the two sides to discuss regional developments. Although ties have historically not been close, contacts between the two countries have increased markedly over the last year. End Summary.

¶2. (C) According to Dicle, the Saudi foreign, security organizations, labor, finance and culture and information ministers accompanied the King, along with myriad lower-level officials and a large delegation of Saudi businessmen. On the Turkish side, the King met with President Sezer, Prime Minister Erdogan, Deputy PM and Foreign Minister Gul, several other ministers and businessmen represented by TUSIAD and other groups.

Six Agreements Signed

¶3. (C) Dicle told us that relevant ministers from both countries signed six agreements:

-- Reciprocal Promotion and Protection of Investments (to facilitate increased trade and investment);

-- Bi-annual Political Consultations at the MFA Under Secretary Level (to consult regularly);

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-- Memorandum of Understanding on Avoidance of Double Taxation;

-- Health Cooperation;

-- Protocol on Cooperation between the State Archives; and
-- Carrying Passengers and Goods on Highways (which the MFA
said has to do with Haj-related travel).

Increased Trade and Investment the Main Focus

¶4. (C) Bilateral trade between Turkey and Saudi Arabia has tripled in the last 10 years to \$3 billion per year, according to the MFA. This trade volume falls short of its full potential and is not balanced (Saudi oil dominates); Turkey wants to increase it in a balanced way. During the visit, Turkey encouraged Saudi investment in the fields of banking, construction, health, tourism and textiles, as well as further Saudi investment in industries where Turkey is privatizing, such as telecommunications, airlines and electricity. Dicle said that 70,000 Turkish citizens live and work in Saudi Arabia, which also has four Turkish schools teaching 3,600 students.

¶5. (C) Dicle said they were pleased to see increased interest on the part of Arab business in investing in Turkey; they view Saudi Arabia as a gateway to increasing business contacts with Arabian peninsula countries. To that end, the GOT would also like to extend cooperation with the Gulf Cooperation Council (GCC). Turkey invited the GCC Secretary General to visit Turkey last June but has yet to receive a reply to its invitation.

Regional Issues: Lebanon, Iraq; GWOT; Iran

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¶6. (C) According to the MFA, both countries discussed their willingness to work together towards peace and stability in Lebanon; both agreed the solution was political and not military; and both agreed all Middle East issues are interlinked. On Iraq, both sides agreed that maintaining territorial integrity and preserving political unity are key. They agreed to strengthen cooperation against global terrorism, since "both countries are targets for terrorists." Both are concerned about Iran's nuclear ambitions.

Comment

¶7. (C) Comment: As a result of the aftermath of World War I, differences in religion and Ottoman history, ties between Turkey and Saudi Arabia have historically been fairly weak. Improved relations and the significance of the first royal visit after four decades are likely a result of two major factors: 1) Turkey's aim to promote more foreign investment and regional trade, and 2) Saudi Arabia's desire to curb any rise in Shi'a power and Iranian regional influence. It may not be a coincidence that Iranian FM Mottaki visited Turkey one day after King Addullah left. End Comment.

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